PROCEEDINGS OF THE MYSORE REPRESENTATIVE ASSEMBLY, BIRTHDAY SESSION, JUNE 1924.

FIRST DAY—*9th June 1924.*

The first meeting of the reconstituted Representative Assembly met at 12 noon on Monday 9th June 1924. Appendix A contains the names of the members present.

The Dewan and the Members of Council took their seats at 12 noon precisely. The Dewan opened the proceedings with the following address :—

GENTLEMEN,

On this important occasion of the first meeting of the members of the newly constituted Mysore Representative Assembly, which has been summoned to transact public business under the auspices of the Constitutional Reforms inaugurated by the Proclamation of His Highness the Maharaja in October last, it is but befitting that we invoke the blessings of Divine Providence and pray for strength and courage to discharge our heavier responsibilities conscientiously and faithfully, true to our gracious Sovereign and to the people of Mysore, whose present welfare and future prosperity have been committed, in a larger measure, to our charge by His Highness' new dispensation.

General.

I deem it a special privilege to be able to extend to you all a most cordial welcome. During the past 8 years, I have always taken a pride in being associated with the Representative Assembly of Mysore firstly, as a Member of His Highness' Government and latterly, as its Dewan-President. With a creditable record of useful work behind it for more than 40 years, the Representative Assembly has now emerged out of its old form into a stronger, well-defined constitutional body which is in harmony with the sentiments and traditions of the country and the genius of our people. It now takes a definite and more important place in the body politic of

the State not merely because its constitution rests on the statute, but because its functions, powers and responsibilities have been increased; the members are returned by an electorate four times as large by direct election; and while the majority of the members represent territorial constituencies, there are now representatives of Minority interests and Special interests under a well-regulated system of election through recognised Associations. Commerce and Trade, and Planting and Labour interests have secured their proper places in the constitution of the Assembly. The result of all these changes, gentlemen, appears to me, judging from the constituent elements which form the new Assembly, as eminently satisfactory and His Highness' Government have every reason to hope that you will, in accordance with the inspiring message of His Highness conveyed to you at the inauguration ceremony, "be guided by common-sense, good-will and useful study of facts and of experience and that your new powers will be used only for the promotion of the common good." You will have to widen your angle of vision while discharging the duties that now devolve upon you. You will no longer confine yourselves to mere representations, but will exercise definite functions in respect of legislation, public administration and finance. The extent to which you succeed in discharging your new duties faithfully to the larger interests of the country will determine your future advance in the path of constitutional progress.

On behalf of His Highness' Government, I had given a pledge to the Legislative Council that we shall endeavour to work the new reforms in a liberal spirit of constructive statesmanship. Last October, just before announcing His Highness' Proclamation to the late Representative Assembly, I promised to use to the best of my ability every opportunity afforded to me as Head of the Administration to give a liberal interpretation to the main principles underlying the changes. Let me reaffirm these assurances before this Assembly and now appeal to all the members to show me, as your President, the same consideration and the same friendly and generous indulgence which I have had the good fortune to receive always at the hands of your immediate predecessors in the past. We have to adapt ourselves to a new atmosphere. While a larger exercise of popular control demands the greatest patience and responsiveness on the part of

Government, it enjoins on the representatives of the people, moderation of views, closer study of public questions from a disinterested stand-point and a determination to secure through Government, the utmost possible benefit to the country at large. A larger volume of business having to be transacted, every moment of your time will be precious and should be utilized with care and judgment and a due sense of proportion. We should endeavour to secure the highest efficiency in our work and tangible results. How best this can be achieved so far as this Assembly is concerned, I must leave to your good judgment. May I venture to suggest that you carefully study all the new rules of procedure framed for the conduct of business as well as the Standing Orders, so that I may have your ready and willing co-operation in conducting the proceedings? I promise on my own behalf and on behalf of my colleagues as well as the Heads of Departments that responsiveness and good-will from Government which His Highness has emphasized in his gracious Message to you the other day and earnestly hope that we may count upon the same from you. Our aims and aspirations are identical. There is no cleavage or divergence of interest to be pursued. We, as public servants of the State, cordially welcome your help and co-operation and will regard you, in spirit, as genuine co-partners in our work.

This is our first budget session and the agenda includes in addition, 48 Interpellations, 10 Resolutions and 105 Representations. Confining my Address to financial matters chiefly affecting the budget, I now propose to introduce you firstly, to some of the outstanding problems of Mysore finances and then take you over the salient features of the revised estimates of the current year and the budget estimates of 1924-25.

Policy of Balanced Budgets.

Soon after I assumed charge of the Dewanship I took the opportunity, when the Budget Session of the Representative Assembly met in June 1922, to lay before that body an outline of the financial policy which His Highness' Government had decided to adopt, to bring about an early improvement in the financial position of the State. Referring first to the decennial review published in 1919, which disclosed a recurring deficit of

Rs. 15¾ lakhs and explaining the position as it stood with reference to the transactions of the three years ending with 1920-21, I urged the necessity for balanced budgets. I diagnosed the situation as it then existed in the following words :—

"The true diagnosis of the situation, I think, is that owing to the general prosperous condition of the State and the steady increase in its revenues, there was a growing desire to expand the activities of Government, to increase expenditure on measures for the improvement of the material and moral condition of the people and to start large schemes and public works involving heavy capital outlay, somewhat in rapid succession, with the object of increasing the wealth of the State and its general economic prosperity. In the zeal and eagerness to finance these schemes and projects, no provision could be made for reserves and the uncertain items of revenue as well as revenues received from capital works and investments have been made use of to meet the additional heavy liabilities undertaken under recurring expenditure. This could not perhaps be avoided owing to the heavy and onerous programme of capital works to which the State had been committed, but the increase in expenditure as indicated by the inflated figures in recent years does not really and truly represent the exact degree of expansion in the administration of the State. For, the increased cost of living has necessitated the grant of relief to subordinate services to the extent of about Rs. 20 lakhs of additional expenditure per annum, the cost of the upkeep of the army and of materials and other necessaries for the different service departments has gone up enormously and the cost of materials for works and wages of labour have also risen. Due allowance has to be made for these factors before we can correctly estimate the real increase in expenditure due to expansion in recent years. The fact remains, however, that we are now confronted with a position of recurring deficits, and it is necessary to evolve a sound financial policy which could be spread over a triennium or a quinquennium by which the deficits may gradually be wiped out and we may regain our former financial position."

I calculated that the real situation was that a deficit of Rs. 21 lakhs, after taking a fairly liberal estimate under some of the principal heads of revenue, had to be faced

even under a restricted scale of expenditure in the various departments of administration. The gross expenditure of the State in 1920-21 had touched the highest level ever reached, *viz.*, Rs. 344 lakhs and the budget estimate of 1922-23 was based on effected retrenchments up to a total of Rs. 45 lakhs; and on the standard of the budget then presented, I estimated that there should be an improvement to the extent of Rs. 56 lakhs a year in the finances of the State and generally indicated the manner in which an attempt might be made to bring about that result. The important principle in the financial policy then formulated was that the different kinds of resources should be classified according to their nature so that each class of revenue might provide for all reasonable demands against it. Items of revenue occasionally received should not be mixed up with the normal revenues of the State and uncertain revenues should only be used for non-recurring charges. Lastly, the group of productive works should have financial autonomy so that ordinary revenues of the State may be able to support fully the normal administration, and capital works finance may be gradually separated from administrative finance.

In giving the 7 years' finances in their true perspective, I worked out the deficits in the account of the normal heads of revenue and expenditure and showed that the deficit in the year 1920-21 reached the high figure of Rs. 73 lakhs.

Lastly, I formulated the financial policy for a triennium at the end of which I anticipated that our finances would be restored to a position of equilibrium. The normal revenues were according to the budget of 1922-23 short of the normal expenditure by Rs. 21 lakhs, and it was intended to balance the whole account in three years' time by following a policy of retrenchment and expansion of revenue wherever possible, taking credit for Rs. 11 lakhs out of the Sterling Loan Sinking Fund annually in the Revenue Accounts.

In my Budget speech of last year, I explained that my revenue anticipations were likely to be realised, as in the first year of the triennium—1923-24—an increase of Rs. 14 lakhs was expected and a further increase of 11 lakhs might be counted upon in the remaining 2 years. The net result of the budget as then placed before the Assembly, was that it balanced on the right side after a

series of deficit years and showed a surplus of Rs. 63,000. I may add that if you compare the figures of 1918-19 and 1924-25 you will find a total increase of revenue of Rs. 40 lakhs and the difference between the actuals of 1921-22 and the estimates of 1924-25 is a sum of about Rs. 23¾ lakhs.

Accounts of 1922-23.

When dealing with the revised estimates for 1922-23 last year, I informed the Representative Assembly that we had received a sum of Rs. 23¾ lakhs towards the surplus revenue of the Bangalore Assigned Tract, of which Rs.13¼ lakhs representing part of the arrears payable for the three years preceding 1921-22 would be shown as an item of extraordinary receipt. I also stated that according to the Revised estimate framed at the time, the year 1922-23 was expected to close with a surplus of nearly nine lakhs, including the extraordinary receipt from the Assigned Tract, against a deficit of Rs. 5¼ lakhs according to the budget estimates of the year. The actuals for the year however, show further improvement resulting in a surplus of Rs. 13·50 lakhs.

In view of the improved position revealed by the actuals, orders were issued for the extraordinary revenue from the Bangalore Assigned Tract being adjusted by transfer partly to the Sinking Fund for loans towards the arrears of contribution due to the fund, and partly to the Reserve for non-recurring expenditure to provide for certain special charges to be met during the current year on account of repairs necessitated by damages caused by floods, the Viceregal Visit and the introduction of Reforms. The amount accordingly transferred to the Sinking Fund in the accounts for the year 1922-23 is Rs. 7·08 lakhs and that set apart for other purposes Rs. 6·19 lakhs and the year closed with a normal surplus of Rs. 22,637.

Revised Estimates, 1923-24.

According to the Budget of 1923-24, we estimated a total revenue of Rs. 3,31,50,000 and a total expenditure chargeable to revenue of Rs. 3,30,87,000 providing for a surplus of Rs. 63,000. The adverse seasonal conditions resulting from the failure of the north-east monsoon and

the consequent distress in the districts of Kolar, Tumkur and Bangalore have affected almost all the principal heads of revenue, under which there is a fall in the aggregate according to the Revised estimates, of over Rs. 9 lakhs, the reduction under Land Revenue alone being over Rs. 5½ lakhs. Out of the Bangalore Assigned Tract Revenue of Rs. 13,04,000 expected to be realised in the current year, Rs. 5 lakhs which has already been received is on account of arrears and it will be shown as an extraordinary item of revenue as was done last year in respect of a similar arrear payment. The decrease in consumption of arrack mainly accounts for the reduction of about Rs. 3 lakhs under Excise. The payment of the Railway Surcharge Tax collected by the Government of India along with freight on goods during the War, which was till now under correspondence, accounts for the increase of Rs. 2 lakhs under XIII Miscellaneous. The variations under other Revenue heads, which do not call for special remarks, are explained in the Memorandum accompanying the Budget Estimates. The total revenue according to the Revised including the extraordinary revenue of 5 lakhs from the Assigned Tract is Rs. 3,29,02,000 which is only Rs. 2,48,000 less than the Budget Estimate, the decline in revenue caused by the abnormal seasonal conditions being to some extent counteracted by increase of revenue under Assigned Tract, Mining Revenue, Railways and the special receipt on account of Railway Surcharge Tax.

Against the total expenditure of Rs. 3,30,87,000 provided for in the Budget for the current year, the Revised Estimate shows that the expenditure is likely to be Rs. 3,29,12,000, *i.e.*, a decrease of 1¾ lakhs, after meeting the additional expenditure on account of the Viceregal Visit, repairs to damages caused by floods, and the introduction of the Reforms from the amount transferred to the Non-recurring Reserve out of the extraordinary revenue realised in 1922-23, and that on Famine relief operations from the Famine Reserve. The increases over budget allotments observed under Forest (Rs. 85,000), General Administration (Rs. 3,92,000) and Public Works (Rs. 2,51,000) are largely on account of the Viceregal Visit, the Inaugural Session of the newly Constituted Representative Assembly and the Legislative Council and repairing of flood damages and have been mostly met from the Non-recurring Reserve. The heads under which there are

noticeable increases are Interest on Debt (Rs. 2,10,000) and Miscellaneous (Rs. 97,000). The increase under the former is mainly due to arrear interest paid on the investment of the surplus balances of certain Muzrai Institutions in the 6½ per cent Loan. The increase under "Miscellaneous" represents the interest recovered from certain indebted members of the late Agricultural Banks at Saklespur and Chikmagalur ordered to be adjusted towards the principal of the loans due by them.

The deficit of Rs. 5,10,000 shown in the Revised is calculated by taking only the ordinary revenue and by showing the full demand to the extent of Rs. 18,78,000 on account of Sinking Funds.

Including the extraordinary revenue of 5 lakhs from the Bangalore Assigned Tract, the Revised Estimate for the current year is really balanced, the difference being only Rs. 10,000. The position is that the bulk of the contribution to Sinking Funds is paid from normal revenues and the balance of Rs. 5 lakhs from an item of extraordinary receipt and that, on the whole, the resources of the year are adequate for all the demands to be met. That this result has been realised in spite of the dislocation to which the original budget programme was subject will, I believe, be considered as a matter for gratification. I hope that the actual results of the year will prove to be better than the forecast made in the Revised Estimate. I stated above that 1922-23 was the first year of a balanced Revenue Account after some years of deficits and I am glad to be able to state that the second year in succession, namely the current year, will also have a balanced account.

Budget Estimates, 1924-25.

In the next year's Budget, a total revenue of Rs. 3,35,84,000 is anticipated as against the Revised Estimate of Rs. 3,24,02,000 for the current year and the total expenditure to be met from this revenue is placed at Rs. 3,35,15,000 resulting in a surplus of Rs. 69,000. In drawing up the programme for next year, the foremost aim of the triennial financial policy that the budget must be balanced at any cost has been scrupulously observed and full provision has also been made from current revenues for the contribution payable to the Loan Sinking Funds. The variations in revenue and expenditure as compared

with the Revised for the current year are dealt with in detail in the Memorandum attached to the Budget. Only the more important features of the revenue and expenditure estimates for the next financial year need be alluded to here.

On the revenue side, a sum of Rs. 6 lakhs has been taken credit for under Assigned Tract Revenue. Assuming that normal conditions will prevail, we have taken into account under Land Revenue the collection of the bulk of the arrears expected to remain at the end of the current year owing to unfavourable seasonal conditions, and providing for normal growth and a small increase on account of re-settlements to come into effect next year, the estimate under this head has been fixed at Rs. 121·75 lakhs. The revenue from Excise has been taken at the Revised Estimate figure of the current year. The Revised under Forest includes a receipt of Rs. 4 lakhs on account of fuel supplied to Iron Works and as this amount appears under receipts and expenditure, inflating both sides of the account, it has been decided to omit these transactions under Forest and include them only in the Iron Works account. There is an increase of 4 lakhs in the revenue from Sandal Oil compared with the Revised and this is due to the fact that all adjustments on account of excess payments for wood made in the past to the Forest Department by the Sandal Oil Factory will be completed in the current year and commencing from the next year the full revenue due for wood, determined with reference to the quantity of oil sold, will be directly brought under the head Forest. The improvement in Railway net receipts is the result of increased gross earnings and reduced working expenses. The grant allowed for renewals of permanent way and rolling stock which have been in arrears for some time past in respect of the lines worked by us is Rs. 6·87 lakhs. There will be a perceptible decrease in the outlay on this item from 1925-26 and it is proposed to set apart the resulting increase in the net receipts or a portion of it, as may be found necessary, according to a programme to be drawn up for the purpose, for the formation of a depreciation fund to provide for renewals in future, instead of appropriating the whole of the net revenues for the general purposes of the State. Larger receipts expected from power supplied to Gold Mining Companies and the absence of charges for repairing the damages

caused to the Dam by floods for which an additional grant had to be sanctioned this year, chiefly account for the increase under Electrical and Krishnarajasagara Works.

The total expenditure provided in the Budget is Rs. 335·15 lakhs as against Rs. 329·12 lakhs in the revised estimate of the current year and it is therefore Rs. 6·03 lakhs more than the standard reached in the Revised. A sum of Rs. 3 lakhs has been added to His Highness' Civil List. For the measures already sanctioned, it has been found necessary to raise the grant for Education by Rs. 1·30 lakhs. The grant for the Mysore University has been raised from Rs. 6 lakhs to Rs. 7·44 lakhs. The total increase under Education including the University is therefore Rs. 2·74 lakhs over the current year's budget grant. An extra grant of half a lakh has been allowed for Mysore City Improvement and an increased allotment of one-fourth of a lakh for Malnad improvements and to meet the additional expenditure due to the introduction of Constitutional Reforms, a sum of Rs. 1,08,000 has been allotted. Besides these grants, provision has been made, as far as funds permitted, for development and expansion, and some of the new items are the following :—

		Rs.
12.	General Administration, Economic Conference, special charges	10,000
13.	Muzrai, Construction and Repairs ...	5,000
17.	Miscellaneous, New Telegraph Stations...	7,500
18.	Courts of Law—	
	(i) A new Sub-Court	5,000
	(ii) Additional Criminal Courts under the Separation Scheme in the Hassan District	12,000
21.	Medical—	
	(i) Training Mysore Students ...	15,000
	(ii) Revision of establishment of certain hospitals and opening of new dispensaries	16,000
	(iii) Re-organisation of Ayurvedic College and opening of new dispensaries ...	6,300
27.	Agriculture—	
	(i) Seruin	20,000
	(ii) Special establishment and equipment for sinking irrigation wells ...	25,000

		Rs.
	(iii) New Veterinary Dispensaries ..	5,000
	(iv) Training of Veterinary Inspectors at Muktesar	3,000
	(v) Development of Marthur Farm ...	10,000
30.	Grants for Public Improvements. Grants-in-aid to District Boards under Local Self-Government Scheme ...	5,000

General Review of the Financial Situation.

The financial position as disclosed in the statements that are now presented to you and the explanations that I have made in respect of their main features will, I hope, be considered on the whole satisfactory. It is needless to assert that the Mysore finances still require the most careful handling and that we have not altogether emerged from the condition of unsoundness which commenced from the year 1918-19 and which marked the beginning of the period of deficits. You will observe that under a definite policy of financial rehabilitation which comprised within its scope drastic retrenchments spread over a period of more than two years and restricted grants to the various Development Departments which in consequence have remained in a state of stagnation and inactivity, we are now fairly on the road which will lead us to the goal which we have set before us. There are, however, a few disturbing factors which have yet to be faced and these require careful consideration. The revenues of Indian States, as you are aware, are of an inelastic character. There is little scope for the expansion of normal revenues and the addition of new sources. There is, in addition, the disadvantage which the State is at present labouring under, *viz.*, that owing to a very heavy public debt raised for large productive works all of which have not yet reached the stage of yielding revenue, there is a drain to the extent of about 42 lakhs of rupees from the yearly revenues; in other words, according to my classification of our resources, Part III of the Account relating to financial investments and productive works still continues to show a deficit. Owing, further, to the total absence of any provision in the past for a Depreciation Fund under Railways, a defect which is almost universal in all Railway administrations in India, we are now in for very heavy expenditure on account of renewals which leaves comparatively little as

net revenue from our Railways. Heavy commitments under Capital expenditure in regard to large projects and schemes embarked upon and which have to be brought into a stage of completion render the problem of ways and means for such expenditure without further public borrowing extremely difficult. An estimate of such capital expenditure, in the next few years, may roughly be placed at nothing below Rs. 50 lakhs a year. This will necessarily mean an additional liability on account of interest and sinking fund charges if it has to be found from borrowed money. It is, therefore, absolutely necessary to devise measures to increase the revenues under Railways, Electric, and Krishnarajasagara, and to make vigorous efforts to put the Mysore Iron Works on a proper financial footing. Whatever measures may be adopted towards these objects, they cannot be expected to produce immediate results and disappointments and losses are to be anticipated, specially in regard to the Iron Works, for some time to come; and this brings us to the question as to how the Mysore finances can be relieved of the undue strain under which they are now labouring.

There are three important directions from which substantial relief may be expected and these have been briefly referred to in my last Birthday Address to the Representative Assembly. It may, therefore, be of interest to you to know what further progress has been made in regard to those matters during the past one year. Correspondence between His Highness' Government and the Government of India on the subject of utilizing the accumulated Sinking Fund intended for the Railway Sterling Loan has reached a satisfactory stage. If the final representation on this subject is successful, as we hope it will be, it will enable us to tide over three years at least so far as Capital expenditure is concerned without further borrowing. In regard to the Surplus Revenues of the Assigned Tracts, the position was rendered very uncertain by the orders of the Secretary of State issued in May last year, in respect of which His Highness' Government made representations to the Government of India last October. As the result of those representations, the Government of India were pleased to reopen the question for discussion and recently a scheme of settlement has been agreed to between His Highness' Government and the Hon'ble the British Resident which, it is hoped, will be finally accepted by the

Government of India and the Secretary of State. This settlement will remove, at least for 10 years,—the period of the proposed agreement,—the uncertainty in regard to the Assigned Tracts revenue which has disturbed the budgets of the past few years.

There is another subject of vital interest to the finances of the State, which has been actively pursued by His Highness' Government for some time past. I refer to the question of the Mysore Subsidy. A representation was made in 1919 to the Government of India for the total abolition of the subsidy on historical, economic and equitable grounds. Recently, as announced by His Excellency the Viceroy at the banquet held in his honor in Mysore, a general scheme of rebate of tributes has been formulated and communicated to us and we have been requested to submit our claim in accordance with the scheme. The general principle of remission of a tribute is that if the total Military expenditure including the tribute exceeds 15 per cent of the gross revenues of the State, a rebate to the extent of the difference will be sanctioned. After a careful examination of this formula, from the point of view of the Mysore State, His Highness' Government have considered it necessary to make further representations. As the matter is still under correspondence, I am not able to make a more definite statement as to the relief anticipated; but it is earnestly hoped that the British Government will view our representations in that spirit of fairness for which they are justly famous.

In my last Budget speech, I also referred to the two representations which had been made to the Government of India, one in respect of the Report of the Indian Fiscal Commission so far as it affects the Mysore State and the other on the subject of Customs Revenue. In regard to these matters there has been no substantial progress made although we are still pressing for the recognition of our claims. Mysore has a legitimate claim for a share in the Customs revenue collected in British India in so far as it is contributed by His Highness' subjects and the whole question of Customs and Excise duties has to be reviewed in the light of the changes in the policy of the Government of India itself as well as in the light of future developments in India towards federal finance. The question of the indirect contribution to the Imperial Exchequer is not a new one and it was raised by the late

Sir K. Sheshadri Iyer so far back as 1896. We raised it again in the year 1919 in connection with our representation relating to the subsidy. We have besides expressed our agreement with the view contained in the memorandum submitted by Indian States claiming a share in the customs revenue.

In view of the changes that are likely to be introduced in the Central Indian Government, the Provincial Governments as well as the Indian States, it is absolutely incumbent upon us to press these matters for the consideration of the Government of India as vigorously as possible so that not only the Mysore interests may be safeguarded, but the Mysore State may get its share of the revenues to which she is rightly entitled. It is also necessary, in this connection, to press again the view expressed in the representation we made last year in regard to Customs and Tariff Policy. We referred to the recommendations in the Report on Indian Constitutional Reforms and urged that means should be provided to secure a joint deliberation between the Government of India and Indian States in all matters of common interest, of which the Tariff Policy of the Government of India is one. Such joint deliberation is essential and the Mysore State should press for representation on any Committee or Assembly in which such deliberations take place. With a view, therefore, to protect the interests of the Finances of Mysore generally and as a matter of vital concern to the State, His Highness' Government are now making further representations in regard to these large questions and they will not rest contented until a satisfactory decision is secured.

However persistent our efforts may be to improve our financial position by all internal measures of economy and development of revenue, it is unlikely that we shall enter in the near future on the era of surpluses, unless substantial relief is given in the Subsidy and unless the legitimate claims of Mysore to Customs are fully recognised. Our Railway extension policy is at a standstill; the further development of the Krishnarajasagara project under the definite programme which has now been decided upon after the conclusion of the agreement with the Government of Madras, the extension of Primary Education, the development of Agriculture, Commerce and Industries, improvement of tanks, the opening of new irrigation

works, all these have to lie over for an indefinite period if our resources are not substantially augmented. Such a state of things cannot but be viewed with disappointment and anxiety. Without sufficient reserves, it will be obligatory on our part to resort to public borrowings which, in the case of works like irrigational works which cannot be expected to pay soon or pay fully, will mean a larger drain upon the annual resources of the State, bringing in its train restricted activities in the various departments of administration, general inefficiency and stagnation.

Review of Expenditure.

It will be interesting, in view of the policy of retrenchments actually pursued, to examine the general standard of expenditure that has been adopted by the administration during the past and the current years and the policy that is proposed to be adopted in the budget year.

The dominating feature of Financial Policy for some time past has been retrenchment, and considerable reductions have been effected throughout the period both on the recommendations of the Special Finance Committee and on the initiative of Government themselves. The savings and economies made are not all the result of definite orders formally passed or published, and they have been made on every occasion that offered itself, especially on the occasions on which the annual budgets were framed. The total amount of retrenchment cannot, in such circumstances, be calculated from particular orders of Government passed on the subject and the only method under which the aggregate reductions made can be calculated is that of comparing the standards of expenditure from year to year. For comparing like with like and for limiting the comparison to expenditure which alone is susceptible of reduction, it is necessary to eliminate the items of Sinking Funds, Interest and contributions to Depreciation Funds, and for making the calculation comprehensive, it is also necessary to include all charges, whether capital or revenue and whether shown on the side of charges or on the side of receipts. I subjoin a statement of figures for five years tabulated as above. (Appendix.)

It will be seen that the aggregate level of all kinds of charges in the two years 1920-21 and 1921-22 was about Rs. 5 crores. In the year 1922-23 it was reduced to

about Rs. 417 lakhs and in the Budget year it is expected to stand at about Rs. 404 lakhs. The reduction in the standard of expenditure, comparing the first and the last years of the quinquennium, is Rs. 101 lakhs. The real reduction is larger still, as, though retrenchment has been the main object of Financial Policy, it has been impossible to prevent some additional charges, as no administration can keep its expenditure under all heads absolutely stationary. Some additional expenditure has had to be sanctioned, especially under Education, Railway and Electrical Departments and the reduction exhibited in the above statement is in addition to that absorbed in meeting such expenditure. The figures can be further analysed into departments and classes of expenditure under which retrenchments and economies have been made. But I think it is unnecessary to go into such details here as the particulars I have given are sufficient to show the efforts made for bringing down the standard of expenditure and the very substantial reduction made in it.

Educational Expenditure.

The State grant for Education including the University has been fixed at Rs. 45,66,000 as against Rs. 42,92,000 during the current year. The grant for the University has been raised from Rs. 6 lakhs to Rs. 7,44,000. This large increase has been inevitable mainly for two reasons. In the first place, owing to the strain on the finances, the grant to the University during the last two years had to be very considerably reduced with the result that the University had to draw upon its balances for meeting a portion of its normal requirements. These balances have now become considerably depleted. In the second place, a large extra grant has had to be made for providing accommodation to the increasing number of students who have taken up science subjects for their optionals and who seek admission to the Central College. A Committee was appointed by the Senate to examine this question in detail and formulate proposals. The Committee, in consideration of the probable demand for admission during the next four years from 1924—27, submitted certain recommendations but the University Council was in favour of considering the immediate requirements for the next two years only. The extra expenditure for the admission of 260 students during the next year and 310

during the year after next has been estimated by the Council to be Rs. 76,000 non-recurring and Rs. 54,000 recurring. After a careful consideration of the proposals and subject to further scrutiny, Government have provided Rs. 90,000 for the purpose in the University budget, besides arranging to transfer to the University a building costing about Rs. 1,50,000.

The question of instituting a Medical Faculty in the University which has been under consideration for some time past has now assumed a definite shape. In view of the increasing demand for medical relief all over the State and the difficulty which our students experience in obtaining admission to the Medical Colleges in British India, the Government have approved of the proposal of the Senate of the University to open a Medical College in Bangalore from next month in connection with the Medical School already existing. We are at present spending a sum of about Rs. 33,000 on the Medical School. We also incur heavy expenditure amounting to about Rs. 32,000 a year by way of stipends and subsidies on behalf of our students reading in the Medical Colleges outside Mysore. The report of the Committee appointed by the Senate of the University to work out the details of the scheme shows that for some years to come, the extra expenditure incurred on account of the Medical College will not be heavy and an additional grant of Rs. 15,000 for this purpose has accordingly been included in the University budget.

In my Address to this Assembly last June, I referred to the necessity for equipping our University for teaching not merely of the Arts and Humanities and of pure sciences, but also the application of sciences to agricultural, technological and vocational subjects. The institution of technological courses in the University is dependent on the introduction of similar courses in the secondary stage of education. In connection with the scheme of revision of the S. S. L. C. Scheme which has been examined at length by a Special Committee as well as by the University, the Government have just passed orders providing for the introduction of vocational studies in the High School course. The scheme for the institution of technological courses in the University has now to be worked out. Such a scheme, while it would result in the diversion of a large number of students now pursuing the study of

pure Arts and pure Sciences towards industrial and agricultural pursuits, will involve material addition to the expenditure of the University. The University has also under consideration a scheme of Intermediate Colleges providing instruction for two years after the S. S. L. C. stage in lieu of the present University Entrance course of one year. The scheme has yet to be worked out in detail, but if it is eventually decided upon, it will involve substantial additional expenditure.

The Senate has proposed the institution of a Law Faculty with effect from the next year, but no provision has been made for this in the budget as this is not a matter of pressing necessity and as the available funds have to be utilised for meeting other urgent and unavoidable requirements. The institution of the Faculties of Teaching and Agriculture cannot also be long deferred.

It will thus be clear that the Government grant to the University will have to be further materially increased in the not distant future if the University is to maintain a high standard of efficiency and serve the vital needs of the country.

The net grant under Education, exclusive of the University, has been raised from Rs. 36,92,000 to Rs. 38,22,000, while the gross expenditure inclusive of contributions from Local Bodies is Rs. 48,12,000 as against Rs. 43,40,000 during the current year. The bulk of the addition to the gross expenditure is on account of developments sanctioned in connection with the utilisation of the Education Cess levied by District Boards.

Among the important items provided for out of the State Funds, I may mention the following: —

An allotment of about Rs. 13,000 has been made for starting a High School at Tiptur as promised by me at the last Dasara Session of this Assembly. Provision has been made for opening a Practising High School attached to the Training College at Mysore. A provision of about Rs. 10,000 for the improvement of training facilities has also been made.

Reference was made in my last Dasara Address to the deputation of an officer to report on the condition of the Science Laboratories in High Schools. His report shows that a sum of Rs. 2½ lakhs spread over a few years would be required for bringing the laboratories to an

efficient and up-to-date condition. A small sum of Rs. 15,000 has been provided for the purpose to make a beginning. In accordance with the policy of making grants from the Government for educational improvements in the districts levying education cess, under which a sum of Rs. 10,000 a year has been granted to each of the Districts of Bangalore, Chitaldrug and Hassan for accelerating the conversion of aided Primary Schools into Government institutions, a sum of Rs. 15,000 for making similar grants in the Districts of Shimoga and Tumkur, which have since decided to levy the cess, has been provided. A sum of Rs. 5,000 has been included in the budget for making a beginning with the scheme of medical inspection in schools. A sum of Rs. 1,30,000 including Rs. 20,000 for building grants to aided agencies has been provided. Of this, a sum of Rs. 50,000 will be met from the balance available out of the amounts surrendered by the District Boards on account of buildings and equipment. A small provision of Rs. 4,000 has also been made for effecting certain improvements in the administrative and the higher Inspecting organisation. It is proposed to replace the two Circle Inspectors with territorial jurisdiction by two Inspecting Officers, one for Primary and Middle School Education and the other for High School Education and Normal Training. For securing the efficiency of teaching of Science in High Schools, an Inspector of Science Education will be appointed. Owing to the enormous increase of work in the office of the Inspector-General in connection with the utilisation of the Education Cess, the need for strengthening the Headquarter office has been keenly felt, and it is proposed to appoint an Assistant Inspector-General in addition to the Personal Assistant, at the same time abolishing the post of Special Officer. The gradual increase of expenditure on Education justifies the strength of the organization of the Department at headquarters.

The whole question of Education Finance is now the subject of a special review by the Government with reference to the levy of Education Cess and the contribution from local resources. The total burden that may fall upon the State finances on account of Public Instruction excluding University, according to the policy of development laid down, is likely to come up to the sum of Rs. 60 lakhs. This involves heavy additional expenditure, and

it is a matter for serious consideration how this liability is to be met and what proportion is to be fixed for contribution from local resources.

Public Debt.

It will be of interest to you to learn the exact position in regard to our Public Debt. We have now five outstanding loans. The Railway Sterling Loan is redeemable at our option, and it is now under consideration to utilise, for capital purposes, the sinking fund so far built up for it and start forming a new sinking fund. The sinking fund required for the 5½ per cent loan has been fully built up. Sinking funds are now being formed for the remaining three loans, *viz.*, the 6¼, 6½ and 7 per cent loans. The amount of annual contribution to the sinking funds of these three loans has been calculated on the assumption of contribution of equal amounts during each year of currency of loans, and the investment of the contributions together with the annual interest on them so as to earn 6 per cent.

The need for forming sinking funds and keeping such funds in readily marketable securities is of paramount importance, and the policy laid down has been strictly adhered to.

Against a total debt of nearly Rs. 350 lakhs of rupees covered by these three loans, a contribution of about Rs. 68 lakhs from the general revenues has been made towards the sinking funds, and the amount which will accumulate thereon at compound interest on the dates of redemption is, roughly, Rs. 125 lakhs. It will be noticed from the statements before you that we have made full contribution towards sinking fund charges, both in the previous year and the current year, and we propose to do the same in the Budget year also. By this process we shall gradually reduce our Public Debt and save the drain on the general revenues on account of the service of unproductive debt and make it possible to resume the formation of reserves which will enable us to finance expenditure on developments.

Reserves.

I explained in my Address of October last the measures taken for maintaining adequate reserves for meeting

all liabilities that should reasonably be anticipated. These liabilities are on account of Sinking Funds, Famine Insurance Fund, Depreciation Funds, Savings Bank, Provident and Insurance Funds and the Funds of Local Bodies and others who bank with the Treasury. The whole of the Sinking Funds has been invested and the value of the securities held on their behalf is about Rs. 68 lakhs. The Famine Insurance Fund has also been fully invested and securities of the value of about Rs. 55 lakhs are held on its behalf. Fifty per cent of Savings Bank deposits and a reasonable proportion of other funds are also held in securities. The Depreciation Funds are, however, not in liquid form, but, cash for meeting the current demands on them is being provided from our general resources and even as regards these funds, attempts are being made to hold as large a part of them as possible in liquid form and make their balances readily available for meeting demands.

These investments should, as a matter of sound financial policy, be left intact and not raided, no matter what the temptation may be. Budgets must be balanced at any sacrifice without resorting to any reduction in the annual contribution to sinking funds. These are the main lines of policy which have been pursued during the past two years, and it is our determination that they should continue to be pursued in the future.

Capital Grants.

The total grant sanctioned for all Capital Works in the current year was Rs. 47¾ lakhs, but the expenditure is not expected to exceed Rs. 38¼ lakhs. The major part of the lapse occurs under Electrical Works and it is due to the fact that the estimate for reconstructing the Bangalore Transmission Line for which a grant of Rs. 7½ lakhs had been allowed required reference to an expert authority and there was accordingly some delay in starting the work. For next year, the aggregate grant proposed for Capital Works is Rs. 47 lakhs and the whole of this demand will be met from the general cash resources of the State without resort to a public loan. The Technical Advisers of Government have held the opinion that the gap in the middle of the Krishnarajasagara Dam should be closed and the Waste Weir Works completed with the

least possible delay and the grant proposed for the Krishnarajasagara Works is accordingly the comparatively large sum of Rs. 15 lakhs. The Electrical Department has been allowed a total grant of Rs. 15½ lakhs and of this amount Rs. 12 lakhs are on account of reconstruction of the Bangalore Transmission Line. A part of the outlay on this work and on the Sixth Installation is chargeable to the Depreciation Fund of the Department and the total grant is, therefore, shown under two heads, *viz.*, Rs. 10 lakhs under "39. Electrical Works," and Rs. 5½ lakhs under "Depreciation Funds." For Iron Works, an allotment of Rs. 10 lakhs is allowed, mainly for the installation of refining plants and the development of the foundry to make the products of the concern readily marketable. The grant for Railways is Rs. 12 lakhs and of this amount Rs. 5 lakhs are for the lines worked by the Madras and Southern Mahratta Railway Company and Rs. 7 lakhs for the lines worked by the Government. The entire provision is for Open Line works and the bulk of the allotment for Mysore Railways is for the capital part of the outlay on the renewal of the permanent way between Bangalore and Mysore with heavier rails.

Electrical Department.

The capital expenditure of Electrical Department from 1900-01—the year in which the Department came into existence— to end of the current year is Rs. 179 lakhs and this investment earned, in the same period, a total revenue of Rs. 273 lakhs after meeting working expenses and Depreciation Fund charges. After allowing for interest on capital, amounting to Rs. 72 lakhs, the share of net revenues representing pure profits is Rs. 201 lakhs which is Rs. 22 lakhs more than the capital invested in the concern. Based on the Revised Estimate, the rate of yield on capital in the current year is 13½ per cent including interest proper and about 9½ per cent after meeting interest charges. These results are very satisfactory, but they require revision, in view of the fact that with the construction of the Krishnarajasagara,—the first stage of which is almost entirely electrical, intended as it is for ensuring a continuous supply of water throughout the year for generation of power and also for increasing the quantity of water for production of more power than was

possible without the Reservoir—the Electrical and the Krishnarajasagara Works have to be treated as one combined concern. Orders will soon be issued to compile the Capital and Revenue Accounts of the Hydro-Electric Works including the Krishnarajasagara on this basis and revise the calculation relating to the rate of return on capital invested. Even after this revision and reduction in the rate of return, this combined project will continue to maintain fully its character as a productive work.

Krishnarajasagara.

To end of the current year the total capital outlay on the Reservoir and the two low-level canals is Rs. 196 lakhs and for completing as rapidly as possible the Dam and the Waste Weir Works, an additional allotment of Rs. 3 lakhs was sanctioned this year and a grant of Rs. 15 lakhs is provided for next year. The expectation in regard to the Electrical revenue anticipated from the Reservoir has been fully realised and efforts are being made to improve its irrigational revenue.

There is an increase of about Rs. 1¼ lakhs in the net revenues taken credit for in the budget under this head. Orders of Government on the report of a committee of technical officers as regards the urgent works to be undertaken, have been issued in December last, and recently another order sanctioning certain surveys for the irrigation provided for in the agreement between the Madras and Mysore Governments, was passed. There appears, unfortunately, judging from recent comments in some of the Madras papers on this subject, some misapprehension in the mind of our neighbours regarding the settlement, which it is hoped will be removed when the full text of the agreement is published. The details of this settlement, the future programme of works and the general policy will be set forth in detail in a Government Order which will be published shortly.

Railways.

We counted on a gross revenue of Rs. 80 lakhs in the current year from all our lines worked by the Company and by ourselves, but there has been a disappointment in this expectation to the extent of about Rs. 6 lakhs. The unfavourable economic and agricultural conditions materially reduced the traffic offering for transport and a reduction of about Rs. 3 lakhs in the revenue of the lines worked

by the Company and of about the same amount in that of the lines worked by the Government is the result. The charges on revenue show, however, a reduction larger than the falling off under earnings with the result that the net revenues are better than the budget anticipation by about three-fourths of a lakh. For the next year, the gross receipts have been taken at Rs. 75½ lakhs which is about a lakh more than the Revised, and as the level of total charges on revenue including the contribution to the new Depreciation Fund is about the same as that in this year, the net revenues in 1924-25 are about a lakh better than the Revised.

The proportion of working expenses to gross receipts is maintaining its downward tendency, but there is still need for continued vigilance for effecting further economies and reducing the standard of expenditure as far as possible. The improvement of earnings of some of the lines also requires much attention and we must depend upon both increased revenue and reduced expenditure for making the financial position of the lines satisfactory.

Railway Revenue Finance.

In the scheme of Financial Reforms which I placed before this Assembly in June 1922, I reviewed the position in regard to Railway Finance and drew pointed attention to the need for reducing working expenses and for improving the revenue yielding capacity of the lines. I should like to indicate to you the result of efforts made in this direction in the period of three years from 1922-23.

The Revenue expenditure of our lines worked by the M. & S. M. Railway Company is not under our control as, under the existing system, such expenditure is a share of the total charges incurred on the whole system, assessed in proportion to our gross revenues. I shall therefore confine my remarks, in regard to the control over expenditure, to the lines worked by us. For appreciating the correct relation between gross earnings and working expenses in the period from 1922-23, it is necessary to invite attention to one important factor which has largely influenced the level of working expenses in that period. I refer to the special charges which have had to be incurred in renewing the permanent way of the Bangalore-Mysore Section, in replacing different items of rolling stock, in re-sleepering the Birur-Shimoga Section and in

carrying out other similar works. These measures had far too long been delayed and it was impossible, on the ground of public safety, to put them off any longer. In the absence of a Depreciation Fund built from annual earnings, it was inevitable that the cost of these measures should be borne by current revenues, and our general finances had to be subjected to this additional strain when they could least bear it. The cost of these measures in the year 1922-23 was Rs. 2·97 lakhs, and in the current year it is expected to amount to Rs. 7.82 lakhs and in the coming year, provision has been made for Rs. 6·87 lakhs for works of this special character.

These charges are abnormal additions to working expenses and it is necessary to isolate them, for ascertaining the proper relation between gross earnings and normal working expenses, and the improvement in that relation from year to year. Calculated on these lines, the working expenses of the lines were Rs. 26·28 lakhs in 1922-23 and Rs. 25·29 lakhs in 1923-24 and they are expected to be Rs. 24·61 lakhs in 1924-25. Expressed in terms of percentages of gross earnings, these figures represent 84 per cent in 1922-23, 82 per cent in 1923-24 and 78 per cent in 1924-25. I hope the trend of these figures will be considered satisfactory. I am aware of the fact that even the percentage of 78 is still very high and sustained efforts are necessary to reduce it further.

The annual standard of gross earnings has an intimate bearing on the calculation of these percentages and I am sorry to say that this standard has kept stationary at about Rs. 31 lakhs in all the three years. I, however, believe that the stationary character of gross receipts is only a temporary phase and that Railway revenues will recover their usual tendency to grow, with the improvement in agricultural and economic conditions. There are three factors on which I count for an increase in the net earnings of Railways in future—

(1) Growth of gross revenues,
(2) Further economies in working expenses, and
(3) Cessation of the need for special charges.

You will probably expect me to state in this connection, what attention we have paid to the problem of separating Railway Finance from General Finance.

I may say that such separation is one of the main objects of our plan of Financial Reform. We have to aim not only at separating Railway transactions from General Administration, but also at the separation of the finances of all our productive concerns. Part III of our Revenue Account proposes to achieve these objects, but the further elaboration of this scheme of separation will have to wait until Part I of the same account is reduced to a condition of complete stability.

The first step towards stabilising our railway revenue has been taken in the budget estimates by the establishment of a Railway Depreciation Fund. It is proposed to meet all the heavy renewals out of that fund in the budget year and the question of setting apart a certain percentage of net earnings every year for this fund is now engaging the active consideration of the Government. It is hoped that when the renewal works now being carried out are completed, there will be a substantial increase in net revenues and it is necessary not to take credit for this increase and utilise it for general administrative purposes, but to set apart the major portion of it for necessary improvements and developments in the future.

Bhadravati Iron Works.

In my opening speech at the meeting of the Legislative Council held in April last, I reviewed the results of the operation of the Bhadravati Iron Works to end of December 1923.

During the five months of the current calendar year, the plant has been working without interruption, production has increased by 50 per cent and appreciable reductions have been made in the cost of manufacture. These advantages, however, have been off-set by a decline in the prices of pig iron and more recently also of wood distillation products. But even at the reduced rates now obtained it is estimated that the value of output since 1st January 1924 will be sufficient to cover the expenses of operation.

Including provision made for the purchase of alcohol refining and tar distillation plants, a sum of Rs. 15·5 lakhs was sanctioned for capital expenditure during the year 1923-24. Orders for the refining plants were placed late in the year and the bulk of the allotment made for this purpose and for certain incomplete works, amounting

in all to Rs. 5 lakhs, is likely to lapse. This amount has to be given as a re-grant for the next year. In addition, the Board of Management have applied for an allotment of Rs. 8 lakhs to carry out certain fresh works, including the equipment of a foundry for manufacturing cast iron pipes and other finished products. The total grant asked for is thus Rs. 13 lakhs, of which it is intended to provide Rs. 10 lakhs according to the draft budget estimates placed before this House.

The revenue estimates of the undertaking for the coming year, which will be separately dealt with by the Government, provide for Rs. 17 lakhs on account of expenditure and the income is assumed at the same figure. It is possible that the actual working may result in a small profit or loss, depending upon market conditions during the year, which it is impossible to forecast at present.

It is not necessary to give further particulars in this address regarding the operation, results and prospects of a commercial undertaking. This information, however, will be embodied in a separate statement for confidential circulation to the members of the Legislature.

Other Industrial Concerns.

A sum of Rs. 30,000 was spent in the current year in improving and expanding the Soap Factory to increase its output and reduce the cost of production. No capital expenditure is proposed to be incurred in the next year on any of the concerns under the control of the Industries and Commerce Department. These concerns with the exception of the Weaving Factory and the Arts and Crafts Workshop worked at a profit this year and all of them are expected to work at a profit in the next year. The profits of the Soap Factory show an appreciable increase and they are about half a lakh both in this and next years. As the result of the various measures adopted for the purpose, the working of all the concerns under the Industries and Commerce Department shows improvement. There is, however, need for continued attention for making the concerns, other than the Soap Factory, fully paying and thus prove the possibilities of making a financial success of industrial undertakings pioneered by Government.

Conclusion.

I have now completed a general review of the administration of our finances and I hope that the explanation of the various important features connected therewith will prove to your satisfaction that the Government have been bestowing all the care and attention possible to improve the position. Necessary capital expenditure has been provided to make further progress in respect of our larger schemes without recourse to borrowing. The resources are being developed, expenditure is well under control and for the next year a policy of liberal grants has been adopted in all the departments affecting the moral and material progress of the people, without infringing on the obligations to balance Revenue and Expenditure, after providing fully for interest and repayment of our public debt. The policy adumbrated in my Address to the Representative Assembly that met in June 1922 has been steadily kept in view and after a period of annual deficits, equilibrium of Revenue and Expenditure has been more than restored in 1922-23 and will be maintained in the financial results of this year's administration. But for this improvement which in part, is in anticipation of my triennial forecast, it would not have been possible to frame the budget now before you which affords opportunities for development measures to which we are committed, but which were postponed on account of financial stringency.

Rapid changes are taking place all over the world and in India, things move more quickly now than before. The State of Mysore which has been in the vanguard of progress in the past cannot afford to stand still. Her interests in any scheme of federation of States have to be closely protected. While our financial investments and productive works have to be cautiously administered to secure proper returns, possibilities of further development of the resources of the State have yet to be explored. I have every confidence that in all these larger questions, His Highness' Government, by all their endeavours in closer association with the people's representatives in the administration, will be able to secure results which are bound to enhance materially the prestige of the State as well as the prosperity of the people of Mysore.

APPENDIX.

(Figures in lakhs of Rupees.)

1	1920-21	1921-22	1922-23	1923-24 Revised	1924-25 Budget	Difference between cols. 2 and 6
	2	3	4	5	6	7
Charges shown on Expenditure side ..	322·36	304·15	279·78	285·36	284·87	—37·49
Charges shown on Receipt side ..	71·70	78·55	85·82	76·49	72·35	+ ·65
Capital outlay	110·92	112·96	51·11	38·26	46·91	—64·01
Total ..	504·98	495·66	416·71	400·11	404·13	—100·85